

Working Capital Management

A Study on

Studio Corinthian

Internship Report
On
Working Capital Management a study on Studio Corinthian

Submitted To:

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Date of Submission: August 28th, 2016



LETTER OF TRANSMITTAL

August 28th, 2016

Mr. Riyashad Ahmed

Assistant Professor &

Coordinator, EMBA Program, BRAC Business School

BRAC University

Subject: Submission of Internship report on “**Working Capital Management a study on Studio Corinthian.**”

Dear Sir,

With the passage of time, I am student of BRAC Business School standing on the other entity of my course completion, hence are finalized with my internship report naming as “**Working Capital Management a study on Studio Corinthian**”. Vividly enough, my research comprises adequate endeavors. However no doubt, my contribution will be best evaluated on your sharp scale of acceptance & analytical remarks.

Consequently, I am submitting my report on your very concern. Hopefully, you will discover my well-researched, informative approach as a hallmark of hard work. Rather, in case of any further clarification or elaboration as to my report, I would welcome the opportunity to consult with you to explore how my findings could best meet your needs.

Thanks and Best Regards,

Samia Chowdhury

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BRAC Business School, MBA Program

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Declaration

I hereby declare that the report namely **“Working Capital Management a study on Studio Corinthian”** is completed by me which is based on my practical work experience and a comprehensive study of the existing activities of Studio Corinthian. I also declare that this report is my original work and does not breach any existing copyright. This particular report has not been previously submitted to any other University/College/Organization for academic qualification/ certificate/ diploma or degree. I have prepared it for the academic purpose of Master of Business Administration degree which requires practical work experience.

Samia Chowdhury

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Supervisor's Certification

I hereby declare that the concerned report entitled in “**Working Capital a study on Studio Corinthian**” is an original work by Samia Chowdhury, ID:14164022, BRAC Business School, BRAC University. She has completed her internship under my supervision and submitted the report for the partial fulfillment of the requirement for the degree of Master of Business Administration.

I also certify that I have gone through the draft report thoroughly and found it satisfactory thus forwarded for presentation.

Mr. Riyashad Ahmed

Assistant Professor of Finance &

Coordinator, EMBA Program, BRAC Business School

BRAC University

Acknowledgement

Firstly, I would like to thank my academic supervisor Mr. Riyashad Ahmed, Assistant Professor of Finance & Coordinator, EMBA Program, BRAC Business School, BRAC University for providing me all the necessary helps for the completion of this report. Thank you very much Mr. Riyashad Sir for guiding me to start and complete successfully of this report. I am also thankful for your patience that you have shown during the project.

Secondly, I would like to thank, Mr. Hasan Tareq, Managing Director of Studio Corinthian and my Official Supervisor, Shakil Ahmed for entrusting me with such an important project and allowing me scope to work independently, providing all required support.

I also apologize heartily for any omitted name whose contribution was also complementary for any possible aspect. Lastly, I solemnly thank the ALMIGHTY.

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Executive Summary

Studio Corinthian is an architecture and engineering consultancy partnership firm. It started its journey in 2013. It specialized in architectural planning, interior and exterior design and implementation of development projects. The main clients of Studio Corinthian are corporate, home owner, government and contractors. Studio Corinthian aim is to be known as a multidisciplinary consulting firm with the ability to complete projects successfully in various fields of consulting services in which it specialize. The slogan of Studio Corinthian is “Behind the horizon of aesthetics”.

This report is based on Working Capital Management a study on Studio Corinthian. Working capital management involves the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses.

Studio Corinthian has adequate resources to continue its operations and more capable the company is to pay its obligations. A high working capital can be a signal that the Studio Corinthian might be able to expand its operations. In 2015 Studio Corinthian working capital taka 1,993,001 which indicates that it has the ability to pay off its short-term liabilities. In 2015 quick ratio was 2.43 which higher than 2014. Higher quick ratio indicates company may keep too much cash on hand or have a problem collecting its accounts receivable. In 2014 average collection period was 31 days which was slightly high. A longer collection period may negatively affect the short-term debt paying ability of the business. However in 2015 it reduced its receivables collection days approximately 26 days. In 2015, Studio Corinthian earns net revenue per employee taka 878,125 out of total employees 16 person.

Finally it can be said that, The architectural firm needs to know not only how much cash will be required to meet expenses in the near term but also the firm's general requirements for working capital.

Introduction Part

1.1 Introduction:

Architecture of a country reflects the picture of culture, past and present of that area. Architecture of Bangladesh refers to the architectural attributes and styles of the country. Bangladeshi architecture has become more diversified comprising reflections of contemporary architectural attributes, aesthetic artistic and technologically advanced forms. Since the inception of Bangladesh, economical advancement has boosted the architecture from its traditional forms to contemporary context. Although 75% of Bangladesh's population is rural, the architectural profession is heavily urban-oriented most practices are located in Dhaka.

Internship in **Studio Corinthian** has brought me the opportunity to know details activities of architectural firm. Studio Corinthian is an architectural consultancy and engineering firm. They mainly focus on building construction planning and implementation, interior design, exterior design, aesthetic furniture design. It is financially sound organization with proper working capital management. This report will provide overview of working capital management of Studio Corinthian.

1.2 Origin of the report:

This report has been prepared as a part of the internship program for MBA degree of BRAC University. The report titled “**Working Capital Management a Study on Studio Corinthian**” outcome of three months long Internship Program at Studio Corinthian. The report topic was approved by the faculty supervisor to satisfy the organizational requirements and fulfillment of the internship program. This report has been prepared under both of their direct supervision.

1.3 Objectives of the Study:

The objective of this internship report means the purpose of the internship program & the learning & finding through the period.

Broad Objective:

Preparation of the report on “Working Capital Management a Study on Studio Corinthian” to completed my internship in the MBA program.

Specific Objectives:

The specific objectives of the study are:

- To find out the efficiency and effectiveness of working capital management system
- To study the liquidity position through various working capital related ratios.
- To study the factors and methods of the working capital.

1.4 Scope of the study:

This paper talks about the current business operations of Studio Corinthian. There is only description of the finance functions of the firm because of the availability of information to me as I am as working Account Executive at Studio Corinthian. Moreover in the project part I will try to identify the overall working capital management functions of Studio Corinthian.

1.5 Methodology of the Study:**Sources of data:**

There are two sources of data have been used and most of the data are collected from the secondary sources. Sources are-

1. Primary Sources:

The method I have employed to do my analysis on Studio Corinthian is by observation. I also took the help of the personnel of the accounts and finance department to clarify my quarries.

2. Secondary Sources:

- a. Published Booklets/Manuals of the Studio Corinthian.
- b. Website of the Bangladeshi different architectural consultancy firm.
- c. Official documents of Studio Corinthian.

1.6 Limitations of the Study:

The limitations of the study is summarized below-

- Unavailability of accurate and quality data on working capital management is the main limitation of this study.
- Getting Relevant papers and documents were strictly prohibited.
- Many procedural matters were conducted directly in the operations by the top management level, which may also have some sort of restrictions.

To protect the organizational loss in regard of maintaining confidentiality, some parts of the report are not in depth.

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Company Profile

2.1 Overview of Studio Corinthian:

Studio Corinthian is the one of the top architectural planning, interior and exterior design and implementation of development projects, in Bangladesh. The organization executed various major prestigious projects all over the Bangladesh. Studio Corinthian starts their journey since 2013. It is a partnership organization.

It is a committed team of architect, interior designers and engineers offering integrated design discipline through consultancy services for total architecture which includes architecture, interior architecture, landscape, and graphics with creative clientele support.

Studio Corinthian is professionally managed organization and they have a team of highly qualified managed architects and engineers, skilled technician/tradesman with adequate skilled personnel to execute the job. They have sufficient tools, plants and equipments to gratify for the work. Studio Corinthian will meet with the client to discuss ideas and details, such as the budget and likely duration of the project. An initial site visit will be made and design proposals will be drafted and presented to the client. Research must be carried out into the implications of planning legislation, building regulations and health and safety issues regarding land use and the planned development.

There is a constant conflict between design, finance and technology. They are combining these forces in innovative ways to create a new model for the profession. Creating design solutions to the greatest challenges, they are engaged in design of commercial, institutional, healthcare, residential and industrial projects. Studio Corinthian strives to create environments which are thoughtful response to the program mission, physical setting and functional purpose, reflecting the spirit of the project. Studio Corinthian works continuously contributing to build environment and quality of life of the people for whom we create living and working spaces.

Our aim at Studio Corinthian is to be known as a multidisciplinary consulting firm with the ability to complete projects successfully in various fields of consulting services in which we specialize.

Slogan of Studio Corinthian:

The slogan of Studio Corinthian is “**Behind the horizon of aesthetics**”

2.2 Services of Studio Corinthian:

Studio Corinthian provides a wide range of architectural, structural engineering, planning and interior design services for New Buildings, Remodeling, Additions, Code Evaluations, and ADA Studies. The support services of mechanical, electrical, civil engineering, landscape architecture and construction are provided by long recognized consultant interaction.

❖ *Architectural Design:*

Studio Corinthian leads multi-disciplinary players of architects, interior designers, mechanical, electrical, structural, civil, quantity surveyors, and other engineers & professionals as may be obligatory to deliver fully integrated consultancy services from conception and thru handing over of the project. Studio Corinthian has the capabilities to provide all of these integrated services under one roof enable team to achieve most favorable results towards signature architectural projects for clients and end-users all while making significant and sustainable contributions to communities. Cutting-edge architectural projects in portfolio cover the full continuum of building types including residential, commercial, entertainment, educational, and industrial projects.

❖ *Construction Management:*

Construction Project management is the overall planning, coordination, and control of a project from beginning to completion. Construction Project management is aimed at meeting a client's requirement in order to produce a functionally and financially viable project. CPM is project management that applies to the construction sector. The construction industry is composed of five sectors: residential, commercial, and heavy civil, industrial, and environmental. A construction manager holds the same responsibilities and completes the same processes in each sector. All that separates a construction manager in one sector from one in another is the knowledge of the construction site. This may comprise different types of equipment, materials, subcontractors, and possibly locations. A contractor is assigned to a construction project once the design has been completed by the architect or is still in progress. This is done by going through a bidding process with different contractors. A construction manager should have the ability to handle public safety, time management, decision making, mathematics, and human resources.

❖ *Interior Design:*

Interior design describes a group of various yet related projects that involve turning an interior space into an "effective setting for the range of human activities" that are to take place there. An interior designer is someone who conducts such projects. Interior design is a multifaceted profession that includes conceptual development, liaising with the stakeholders of a project and the management and execution of the design.

❖ *Graphic Design:*

Graphic design is a creative process, one most often involving a client and a designer, and traditionally completed in conjunction with producers of form (printers, sign makers, etc.). In the 21st century, however, graphic design may be applied directly to websites, eliminating the need for an intermediary. Graphic design is undertaken to convey a specific message (or messages) to a targeted audience, usually from the client, known as the 'brief'. The term "graphic design" can also refer to a number of artistic and professional disciplines that focus on visual communication and presentation. The field as a whole is also often referred to as Visual Communication or Communication Design. Various methods are used to create and combine words, symbols, and images to create a visual representation of ideas and messages. A graphic designer may use a combination of typography visual arts and page layout techniques to produce a balanced, focused and symmetrical final result. Graphic design often refers to both the process (designing) by which the communication is created and the products (designs) which are generated.

❖ *Landscape:*

Landscape comprises the visible features of an area of land, including the physical elements of landforms such as (ice-capped) mountains, hills, water bodies such as rivers, lakes, ponds and the sea, living elements of land cover including indigenous vegetation, human elements including different forms of land use, buildings and structures, and transitory elements such as lighting and weatherconditions. Combining both their physical origins and the cultural overlay of human presence, often created over millennia, landscapes reflect the living synthesis of people and place vital to local and national identity. Landscapes, their character and quality, help define the self-image of a region, its sense of place that differentiates it from other regions. It is the dynamic backdrop to people's lives.

2.3 Studio Corinthian Team:

Advisor

Architect Belayat Hossain (BUET)

Managing Director

Architect Md. Hasan Tareq (SUST)

Head of Architect

Architect Shakil Ahmed (SUST)

Civil Engineer

Rakib Sarkar (BUET)

Civil Engineer

Aktaruzzaman Sobuj (UITS)

Architect

Jiaul Hasan Mithun (SUST)

Account Executive

Samia Chowdhury

Architect

Md. Hasan(SUST)

Administrative Officer

Masum Billah

Architect

Md. Atiqur rahman (SUST)

Marketing Executive

Arman Hossain

Site Supervisor

Rumon Hossain

2.4 Clients of Studio Corinthian:

Potential clients for Studio Corinthian are broken down into four categories:

- Home owners
- Corporate
- Government
- Contractors.



Theoretical Concept Of Working Capital Management

3.1 Concept of Working Capital Management:

Working capital management involves the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

There are two concepts of working capital quantitative and qualitative. Some people also define the two concepts as gross concept and net concept. According to quantitative concept, the amount of working capital refers to 'total of current assets'. Current assets are considered to be gross working capital in this concept. The qualitative concept gives an idea regarding source of financing capital. According to qualitative concept the amount of working capital refers to "excess of current assets over current liabilities".

3.2 Classification of Working Capital:

The quantitative concept of Working Capital is known as gross working capital while that under qualitative concept is known as net working capital. Working capital can be classified in various ways. The important classifications are as given below:

a) Conceptual classification –

There are two concept of working capital quantitative and qualitative. The quantitative concept takes into account as the current assets while the qualitative concept takes into account the excess of current assets over current liabilities. Deficit of working capital exists where the amount of current liabilities exceeds the amount of current assets. The above can be summarized as follows:

- (i) Gross Working Capital = Total Current Assets
- (ii) Net Working Capital = Excess of Current Assets over Current Liabilities
- (iii) Working Capital Deficit = Excess of Current Liabilities over Current Assets.

b) Classification on the basis of financial reports –

The information of working capital can be collected from Balance Sheet or Profit and Loss Account; as such the working capital may be classified as follows:

(i) Cash Working Capital:

This is calculated from the information contained in profit and loss account. This concept of working capital has assumed a great significance in recent years as it shows the adequacy of cash flow in business.

(ii) Balance Sheet Working Capital:

The data for Balance Sheet Working Capital is collected from the balance sheet. On this basis the Working Capital can also be divided in three more types, gross Working Capital, net Working Capital and Working Capital deficit.

c) Classification on the Basis of Variability –

Gross Working Capital: Gross Working Capital can be divided in two categories permanent or fixed working capital, and Temporary, Seasonal or variable working capital. Such type of classification is very important for hedging decisions.

(i) Temporary Working Capital:

Temporary Working Capital is also called as fluctuating or seasonal working capital. This represents additional investment needed during prosperity and favorable seasons. It increases with the growth of the business. This can be calculated as follows:

Temporary Working Capital = Total Current Assets – permanent Current Assets

(ii) Permanent Working Capital :

It is a part of total current assets which is not changed due to variation in sales. There is always a minimum level of cash, inventories, and accounts receivables which is always maintained in the business even if sales are reduced to a minimum. Amount of such investment is called as permanent working capital. This is also called as regular working capital.

3.3 Factors Influencing Working Capital Requirement:

Numerous factors can influence the size and need of working capital in a concern. So no set rule or formula can be framed. It is rightly observed that, “There is no precise way to determine the exact amount of gross or net working capital for every enterprise. The data and problem of each company should be analyzed to determine the amount of working capital. Briefly, the optimum level of current assets depends upon following determinants.

➤ *Nature of business:*

Trading and industrial concerns require more funds for working capital. Concerns engaged in public utility services need less working capital. For example, if a concern is engaged in electric supply, it will need fewer current assets, firstly due to cash nature of the transactions and secondly fixed assets. In addition to it, the investment varies concern to concern, depending upon the size of business, the nature of the product, and the production technique.

➤ *Conditions of supply:*

If the supply of inventory is prompt and adequate, fewer funds will be needed. But, if the supply is seasonal or unpredictable, more funds will be invested in inventory. Investment in working capital will fluctuate in case of seasonal nature of supply of raw materials, spare parts and stores.

➤ *Production policy:*

In case of seasonal fluctuations in sales, production will fluctuate accordingly and ultimately requirement of working capital will also fluctuate. However, sales department may follow a policy of off-season discount, so that sales and production can be distributed smoothly throughout the year and sharp, variations in working capital requirement are avoided.

➤ *Seasonal Operations:*

It is not always possible to shift the burden of production and sale to slack period. For example, in case of sugar mill more working capital will be needed at the time of crop and manufacturing.

➤ *Credit Availability:*

If credit facility is available from banks and suppliers on favorable terms and conditions, less working capital will be needed. If such facilities are not available more working capital will be needed to avoid risk.

➤ *Credit policy of enterprises:*

In some enterprises most of the sale is at cash and even it is received in advance while, in other sales is at credit and payments are received only after a month or two. In former case less working capital is needed than the later. The credit terms depend largely on norms of industry but enterprise some flexibility and discretion. In order to ensure that unnecessary funds are not tied up in book debts, the enterprise should follow a rationalized credit policy based on the credit standing of the customers and other relevant factors.

➤ *Growth and expansion:*

The need of working capital is increasing with the growth and expansion of an enterprise. It is difficult to precisely determine the relationship between volume of sales and the working capital needs. The critical fact, however, is that the need for increased working capital funds does not follow growth in business activities but precedes it. It is clear that advance planning is essential for a growing concern.

➤ *Price level change:*

With the increase in price level more and more working capital will be needed for the same magnitude of current assets. The effect of rising prices will be different for different enterprises.

➤ *Circulation of working capital:*

Less working capital will be needed with the increase in circulation of working capital and vice-versa. Circulation means time required to complete one cycle i.e. from cash to material, from material to work-in-progress, from work-in-progress to finished goods, from finished goods to accounts receivable and from accounts receivable to cash.

➤ *Volume of sale:*

This is directly indicated with working capital requirement, with the increase in sales more working capital is needed for finished goods and debtors, its vice versa is also true.

➤ *Liquidity and profitability:*

There is a negative relationship between liquidity and profitability. When working capital in relation to sales is increased it will reduce risk and profitability on one side and will increase liquidity on the other side.

➤ *Management ability:*

Proper co-ordination in production and distribution of goods may reduce the requirement of working capital, as minimum funds will be invested in absolute inventory, non-recoverable debts, etc.

➤ *External Environment*

With development of financial institutions, means of communication, transport facility and so on needs of working capital is reduced because it can be available as and when needed.

3.4 Analysis of Working capital methods:

Various reasons may make it essential to analyze the working capital position of a business enterprise. One reason for analyzing the working capital position of a company is to see what will be found when financial statements are examined. A second reason is to enable management to detect trends and take corrective steps when the analysis indicates need for them. A third reason is to see what changes have taken place in the company over a period of time so that this knowledge may be used in setting guidelines. There are two important tools for analyzing the working capital position of an enterprise. One is the funds flow analysis and the other is ratio analysis.

1. Funds Flow Analysis of Working Capital–

This analysis shows how funds have been procured for a business and how they have been employed. This technique helps to analyze changes in working capital components between two data. The comparison of current assets and current liabilities, as shown in the balance sheet at the beginning and at the end of a specific period, shows changes in each type of current assets as well as the sources from which working capital has been obtained. However, this technique does not throw light on the question whether the working capital is being used most effectively and whether the current financial position of the enterprise has improved.

2. Ratio Analysis of Working Capital–

This is the most commonly used technique which deals practically with each and every aspect of working capital analysis. In this technique, for each aspect of analysis certain ratios are computed and then results are drawn on the basis of trends shown by them against those fixed as guide–posts. Various ratios are used in analyzing the various aspects of the working capital position of an enterprise:

(a) Liquidity of Working Capital–

An analysis of the liquidity of working capital is of use for both the short-term creditors and internal management of a business enterprise. To the former it communicates - the chances of receiving payment at the time of maturity, the margin of safety, if the unexpected should arise which may indicate whether the working capital is sufficient, the extent to which a concern has over- or under-invested the cash in its operating cycle. Two appropriate tests of this important feature of the working capital analysis are to be found in the computation of current and quick ratios.

(b) Circulation of working capital–

An analysis of circulation of working capital highlights the efficiency with which working capital is being utilized. For this purpose various turnover ratios such as inventory turnover ratio, Receivables turnover ratio, cash turnover ratio etc. are calculated which show efficiency of the use of working capital in each of its components as well as on the whole. Generally the higher the

level of these turnover ratios, the smaller would be the working capital requirements of an enterprise.

This aspect of the analysis of working capital focuses on the level of working capital. It helps an analyst to know whether the size of working capital maintained by an enterprise is excessive or short of or adequate to its requirements. Various ratios can be computed to know the sufficiency of the size of working capital and movements in the quantum of working capital in successive periods. The two most important tools in this connection are the computation of the size of working capital in terms of “months’ cost of production” and “months’ average sales turn-over.” The results of these ratios when compared with the figures (as prevailing in the enterprise or in the industry), show whether the size of working capital maintained is of sufficient, inadequate or of an excessive order. A comparison of working capital with other variables such as the output and sales over various years may also give a hint to an analyst about the trends in the growth of working capital. The use of index numbers, percentages and ratios may help to accomplish this task.

3.5 Limitations of excessive Working Capital:

The danger of excessive working capital is as follows:

❖ *Heavy investment in fixed assets:*

A concern may invest heavily in its fixed assets which are not justified by actual sales. This may create a situation of over capitalization.

❖ *Reckless purchase of materials:*

Inventory is purchased recklessly which results in dormant slow moving and obsolete inventory. At the same time it may increase the cost due to mishandling, waste, theft, etc.

❖ *Speculative tendencies:*

Speculative tendencies may increase and if profit is increased dividend distribution will also increase. This will hamper the image of a concern in future when speculative loss may start.

❖ *Liberal credit:*

Due to liberal credit, size of accounts receivables will also increase. Liberal credit facility can increase debts and wrong practices will start, regarding delay in payments.

❖ *Carelessness:*

Excessive working capital will lead to carelessness about costs which will adversely affect the profitability. Paucity of working capital is also bad and has the following dangers:

1. Implementation of operating plans becomes difficult and a concern may not achieve its profit target.
2. It is difficult to pay dividend due to lack of funds.
3. Bargaining capacity is reduced in credit purchases and cash discount could not be availed.
4. An enterprise loses its reputation when it becomes difficult even to meet day-to-day commitments.
5. Operating inefficiencies may creep in when a concern cannot meet its financial promises.
6. Stagnates growth as the funds are not available for new projects.
7. A concern will have to borrow funds at an exorbitant rate of interest in case of need.
8. Sometimes, a concern may be bound to sell its product at a much reduced rate to collect funds which may harm its image.

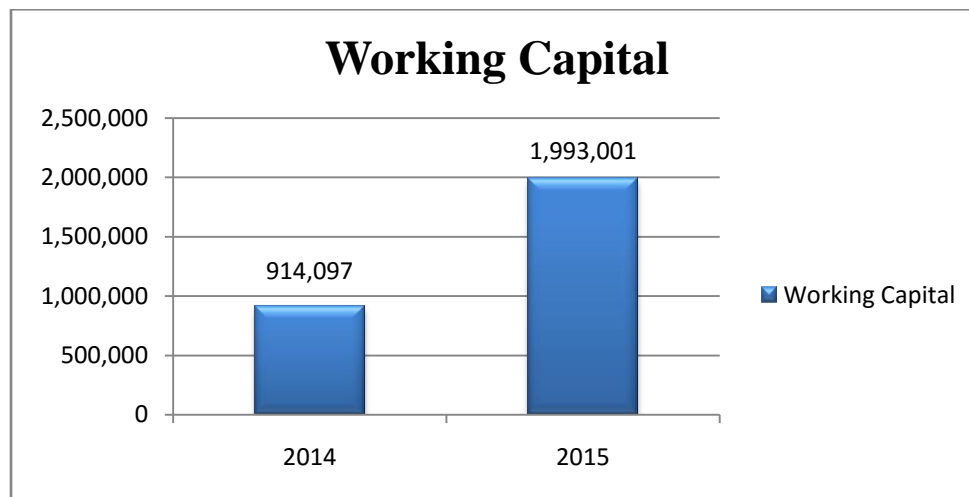
Working Capital Management Of Studio Corinthian

4.1 Working Capital:

The architectural firm needs to know not only how much cash will be required to meet expenses in the near term but also the firm's general requirements for working capital. Working capital is the minimum amount of liquid capital needed to sustain the firm in business. More specifically, it is the minimum amount needed to maintain the own from cash to work in progress to accounts receivable and again to cash. Current assets include cash or other assets that are readily convertible into cash such as work in progress and accounts or notes receivable. Current liabilities are liabilities that come due within the next 12 months.

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

Particulars	2014	2015
Current Assets	1,701,457	3,142,851
Current Liabilities	787,360	1,149,850
Working Capital	914,097	1,993,001



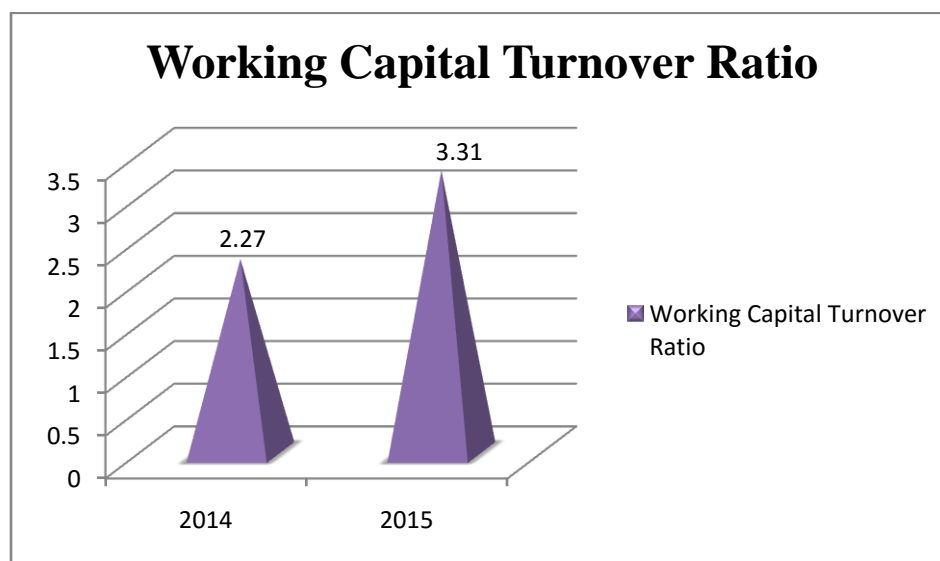
Interpretation: In 2015 Studio Corinthian working capital took 1,993,001 which indicates that it has the ability to pay off its short-term liabilities. The working capital has increased. Also, a high working capital can be a signal that the Studio Corinthian might be able to expand its operations.

4.2 Working Capital Turnover Ratio:

Working capital turnover ratio is an activity ratio that measures dollars of revenue generated per dollar of investment in working capital. Working capital is defined as the amount by which current assets exceed current liabilities.

Working Capital Turnover Ratio = Net Revenue / Working capital

Particulars	2014	2015
Net Revenue	2,077,200	6,603,500
Working capital	914,097	1,993,001
Working Capital Turnover Ratio	2.27	3.31



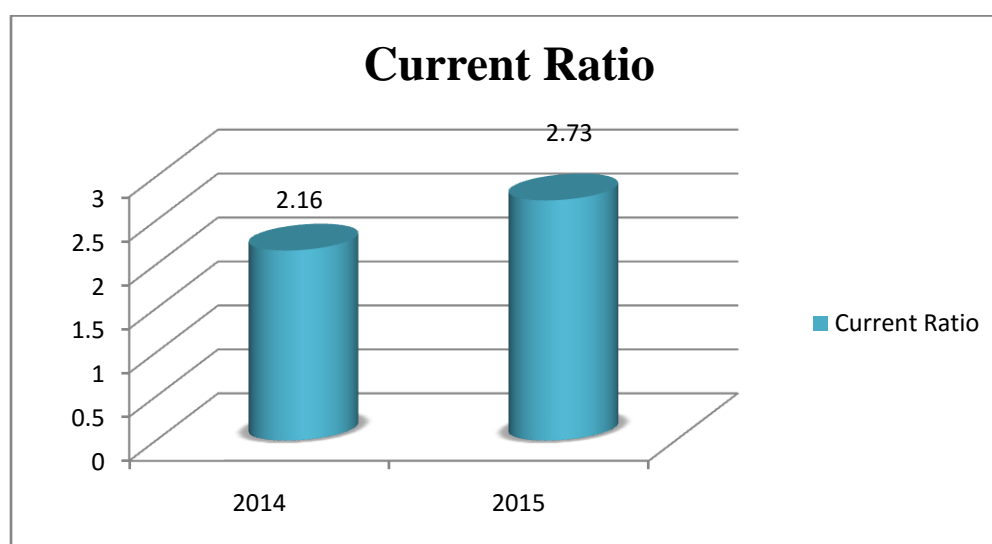
Interpretation: In 2015, Studio Corinthian working capital turnover ratio 3.31 times it indicates efficient utilization of working capital by generating more revenue using less investment. The working capital turnover has increased slightly.

4.3 Current Ratio:

The current ratio is the same as the working capital ratio. It is the relative proportion of an entity's current assets to its current liabilities, and is intended to show the ability of a business to pay for its current liabilities with its current asset.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Particulars	2014	2015
Current Assets	1,701,457	3,142,851
Current Liabilities	787,360	1,149,850
Current Ratio	2.16	2.73



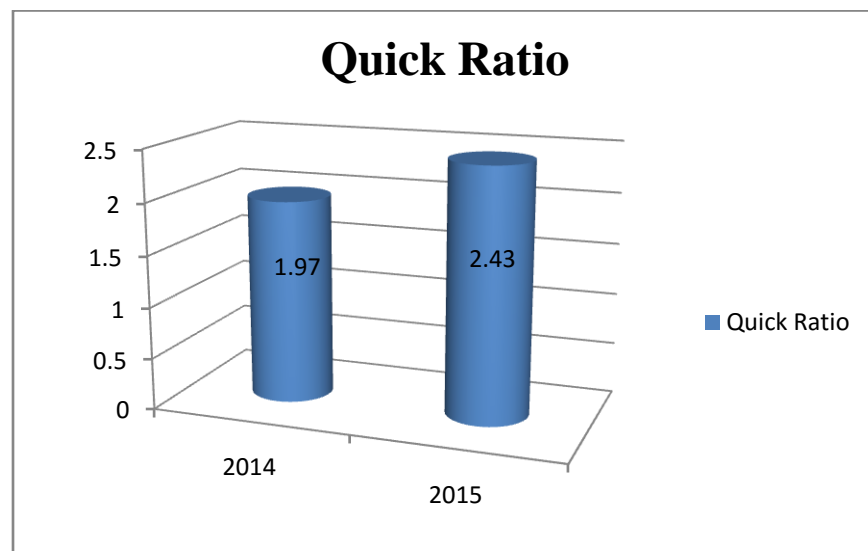
Interpretation: In 2015, Studio Corinthian current assets were 2.73 times of its liabilities. Generally, a current ratio of 2:73 is considered to be acceptable. The current ratio also increased slightly. The higher the current ratio is, the more capable the company is to pay its obligations. Current ratio is also affected by seasonality.

4.4 Quick Ratio:

The quick ratio is a measure of how well a company can meet its short-term financial liabilities. Also known as the acid-test ratio, Quick assets include those current assets that presumably can be quickly converted to cash at close to their book values.

$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventories}) / \text{Current Liabilities}$$

Particulars	2014	2015
Current Assets excluding inventories	1,551,437	2,796,951
Current Liabilities	787,360	1,149,850
Quick Ratio	1.97	2.43



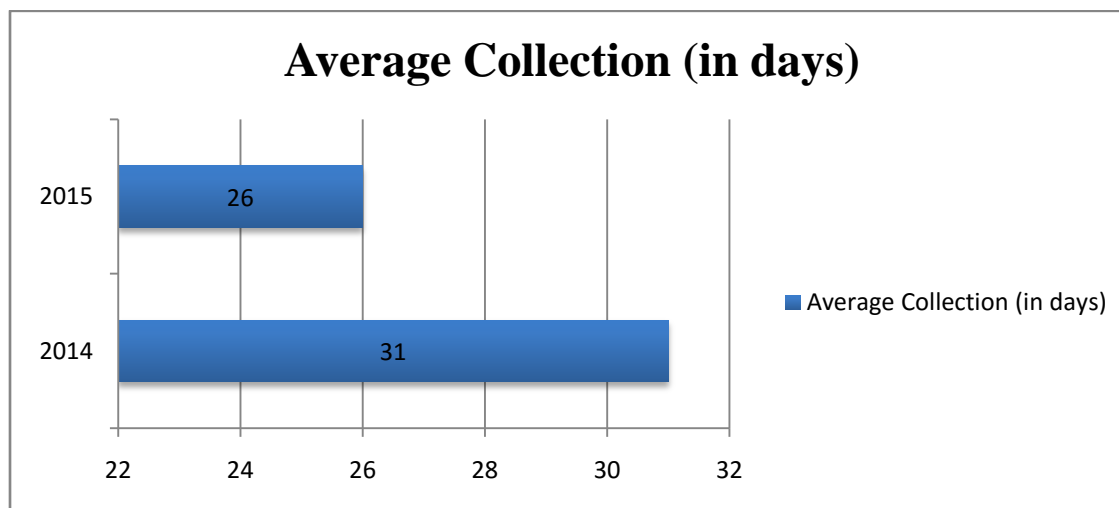
Interpretation: In 2015 Studio Corinthian current assets excluding inventories were 2.43 times of its current liabilities. Ideally, quick ratio should be 1:1. The quick ratio has increased than previous year. If quick ratio is higher, company may keep too much cash on hand or have a problem collecting its accounts receivable.

4.5 Average Collection Period:

The average collection period is the approximate days that it takes for a business to receive payments owed in terms of accounts receivable. The largest single current asset of an architecture firm is usually its accounts receivable. The liquidity of this asset is extremely important to the firm's financial well-being. It is critical to convert accounts receivable (receivables) to cash in a consistent and timely manner.

Average Collection (in days) = Account Receivables / Revenue Per day

Particulars	2014	2015
Account Receivables	550,475	1,012,000
Revenue Per day	6,570,000/365	14,050,000/365
Average Collection (in days)	31	26



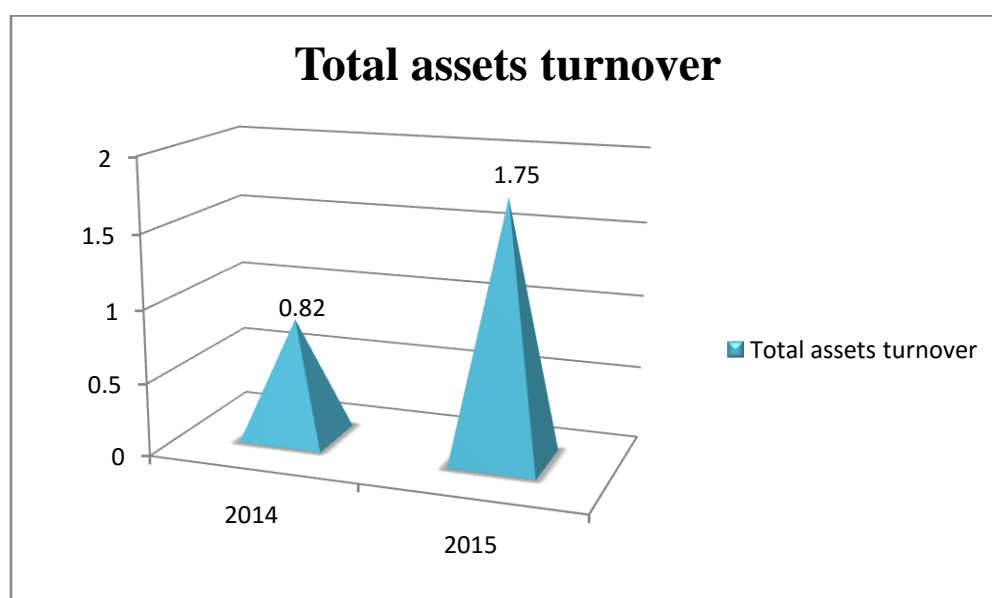
Interpretation: In 2015, Studio Corinthian on an average it took 26 days to cover the receivables. The average collection period has declined. A short collection period means prompt collection and better management of receivables. A longer collection period may negatively affect the short-term debt paying ability of the business in the eyes of analysts. Whether a collection period is good or bad depends on the credit terms allowed by the company.

4.6 Total Assets Turnover Ratio:

Asset turnover is a financial ratio that measures the efficiency of a company's use of its assets in generating revenue or income to the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover.

$$\text{Total assets turnover} = \text{Net revenue} / \text{Total assets}$$

Particulars	2014	2015
Net revenue	2,077,200	6,603,500
Total assets	2,544,327	3,773,391
Total assets turnover	0.82	1.75



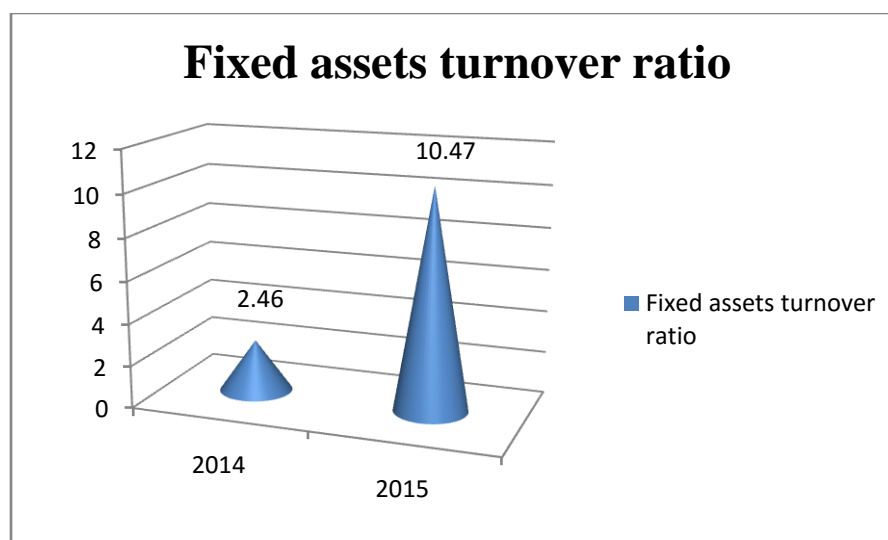
Interpretation: In 2015, Studio Corinthian every taka 1 worth of total assets generated taka 1.75 net revenue. The total assets turnover has increased significantly. Higher turnover ratios mean the company is using its assets more efficiently. Lower ratios mean that the company isn't using its assets efficiently and most likely have management or production problems.

4.7 Fixed Assets Turnover Ratio:

The fixed-asset turnover ratio is, in general, used by analysts to measure operating performance. It is a ratio of net revenue to fixed assets. This ratio specifically measures how able a company is to generate net revenue from fixed-asset investments, namely property, plant and equipment (PP&E), net of depreciation. In a general sense, a higher fixed-asset turnover ratio indicates that a company has more effectively utilized investment in fixed assets to generate revenue.

$$\text{Fixed Assets Turnover Ratio} = \text{Net revenue} / \text{Total Fixed Assets}$$

Particulars	2014	2015
Net revenue	2,077,200	6,603,500
Total fixed assets	842,870	630,540
Fixed assets turnover ratio	2.46	10.47



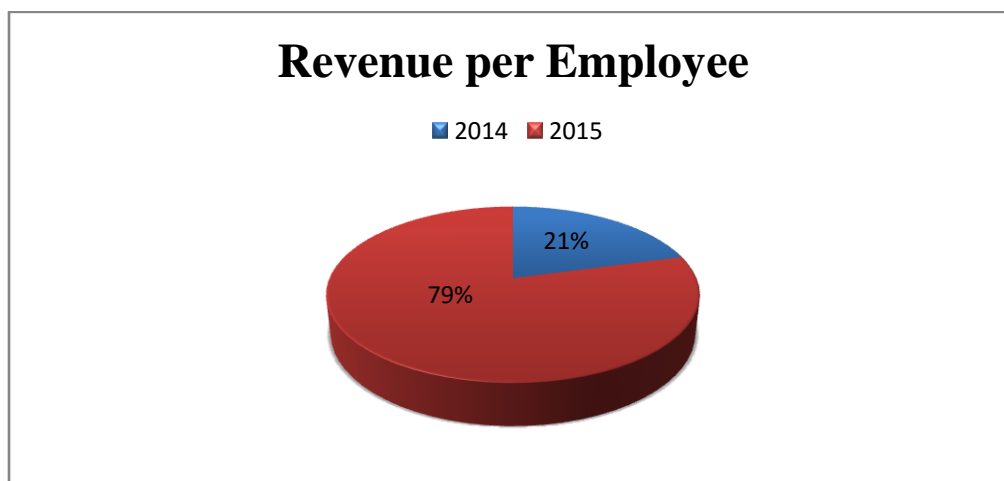
Interpretation: In 2015, Studio Corinthian every taka 1 worth fixed assets generated taka 10.47 net revenue. The fixed assets turnover ratio increased significantly. An increasing trend in fixed assets turnover ratio is desirable because it means that the company has less money tied up in fixed assets for each unit of revenue. A declining trend in fixed asset turnover may mean that the company is over investing in the property, plant and equipment.

4.8 Revenue per Employee:

Revenue per employee is a ratio that is calculated as company's revenue divided by the current number of employees. This ratio is most useful when comparing it against other companies in the same industry. Gross revenue per total employees is probably a more useful figure in analyzing the firm's overall volume of activity while net revenue per total employees is most useful in analyzing matters of operational productivity.

$$\text{Revenue per Employee} = \text{Net Revenue} / \text{Number of Employees}$$

Particulars	2014	2015
Net revenue	2,077,200	6,603,500
Number of Employees	9	16
Revenue per Employee	230,800	878,125



Interpretation: In 2015, Studio Corinthian earns net revenue per employee taka 878,125 out of total employees 16 person. The revenue per employee has increased significantly. In general, the higher value of the ratio is the better. It is not recommended to compare this ratio with those of the companies, working in different industries, because the intensity of labor might vary a lot.

Findings & Conclusion

Findings:

- Studio Corinthian has adequate resources to continue its operations and more capable the company is to pay its obligations.
- A high working capital can be a signal that the Studio Corinthian might be able to expand its operations.
- Positive working capital indicates that company has the ability of payments of short terms liabilities.
- Studio Corinthian's working capital and working capital turnover ratio has increased significantly because in 2015 the current assets, current liabilities and net revenue have increased than 2014.
- In 2015 quick ratio was 2.43 which higher than 2014. Higher quick ratio indicates company may keep too much cash on hand or have a problem collecting its accounts receivable.
- In 2014 average collection period was 31 days which was slightly high. A longer collection period may negatively affect the short-term debt paying ability of the business. However in 2015 it reduced its receivables collection days approximately 26 days.
- Higher turnover ratios mean the Studio Corinthian is using its assets more efficiently. An increasing trend in fixed assets turnover ratio is desirable because it means that the company has less money tied up in fixed assets for each unit of revenue.
- Studio Corinthian hired more employees in 2015. For increasing net revenue and number of employee its revenue per employee has increased taka 878,125.

Conclusion:

In this report, a key aspect is the management of a company's working capital. This aspect of finance is a critical one in that it ensures, if effectively, that the company will stay solvent and remain in business. If done improperly, the results can be disastrous for the company. Some of the major applications of this type of analysis include performance evaluation, monitoring, credit-worthiness, and financial projections. Working Capital is the lifeline of every industry, irrespective of whether it's a manufacturing industry, services industry. Working Capital is the prime and most important requirement for carrying out the day to day operations of the business. Working Capital gives the much-needed liquidity to the business. Working Capital Finance reduces the overall fund requirement, required to build up the Current Assets, which in turn help you improve your Turnover Ratio.

The company has a good liquidity position and does not delay its commitment in case of both its creditors and debtors. The company being mostly dependent on the working capital facilities, it is maintaining very good relationship with their stakeholders and their working capital management is well balanced.

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